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FISCAL IMPACT REPORT

ORIGINAL DATE 03/12/09
LAST UPDATED 03/13/09 **HB** 827/HBICS

SPONSOR HBIC

SHORT TITLE Hybrid Vehicle Tax Exemption **SB** _____

ANALYST Gutierrez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
(\$503.5)	(\$518.5)	(\$534.0)	Nonrecurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB89

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Motor Vehicle Division (MVD)

SUMMARY

Synopsis of HBIC Substitute

The House Business and Industry Committee substitute for House Bill 827 adds a new Subsection H to Section 7-14-6 NMSA 1978 exempting certain hybrid vehicles from the motor vehicle excise tax from July 1, 2009 to June 30, 2012.

The effective date of this bill's provisions is July 1, 2009.

FISCAL IMPLICATIONS

In general, the hybrid SUV's and hybrid trucks (which this bill relates to) are more expensive than their non-hybrid conventional counterparts. For example, a regular Chevy Tahoe LS retails starting at \$37,915 whereas the Chevy Tahoe Hybrid starts at \$51,405. Also, as a percentage of total new light duty vehicle sales in 2008, hybrids only represented 2.5 percent of the market share (www.greencarcongress.com).

The LFC analysis assumes that hybrids will continue to be 2.5 percent of the market share for the next three years and that SUV and truck hybrids will be 20 percent of the hybrid market share; 0.5 percent of total market share. The motor vehicle excise tax is estimated to be \$100.7 million in FY10, \$103.7 million in FY11, and \$106.8 million in FY12 thus the fiscal impact to the general fund due to this bill being enacted will be \$503.5 thousand in FY10, \$518.5 thousand in FY11, and \$534 thousand in FY12 (motor vehicle excise tax revenue X 0.005).

SIGNIFICANT ISSUES

This bill adds Subsection H to the exemptions from the motor vehicle excise (MVE) tax. This Subsection gives a very technical definition that “vehicles with a gross vehicle weight rating between 6,000 and 10,000 pounds that draw propulsion energy from onboard sources of stored energy, that are both an internal combustion or heat engine using consumable fuel and a rechargeable energy storage system and that, in the case of a vehicle that has a gross vehicle weight rating of more than 6,000 pounds but not more than 8,500 pounds, has a maximum available power of at least 4 percent and, in the case of a vehicle that has a gross vehicle weight rating of more than 8,500 pounds, has a maximum available power of at least ten percent” are eligible for a one-time exemption from the motor vehicle excise tax.

The gross vehicle weight rating (GVWR) is defined as the maximum allowable total weight of a road vehicle or trailer when loaded including the weight of the vehicle itself plus fuel, passengers, cargo and trailer tongue weight.

This bill accommodates larger hybrids. It is difficult to find the GVWR on all vehicles but some of the vehicles that appear to qualify for the 6,000 to 8,500 pounds GVWR are the Chevy Tahoe Hybrid, the GMC Yukon Hybrid, the Cadillac Escalade Hybrid, the GMC Sierra 1500 Hybrid and the Chevy Silverado 1500 hybrid.

According to the EPA, a vehicle cannot be classified as a “hybrid” unless it has a maximum available power of at least 4 percent. Vehicles with a GVWR over 8,500 pounds are exempt from EPA testing.

There is also a federal tax credit for hybrid vehicles, called the Alternative Motor Vehicle Credit, that applies to vehicles purchased or placed in service on or after January 1, 2006 (see attachment for the qualifying 2009 models). If 60,000 hybrid or advance lean burn technology vehicles of a particular manufacturer are sold, the tax credit is reduced and eventually eliminated.

ADMINISTRATIVE IMPLICATIONS

With the current definition under Subsection H, it would be difficult for an MVD clerk to know to which vehicles this exemption would apply.

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc

RELATIONSHIP

House Bill 89 extends the sunset date of Subsection G of the motor vehicle excise tax exemption from June 30, 2009 to June 30, 2012, exempting gasoline-electric hybrid vehicles with an MPG of 27.5 or greater.

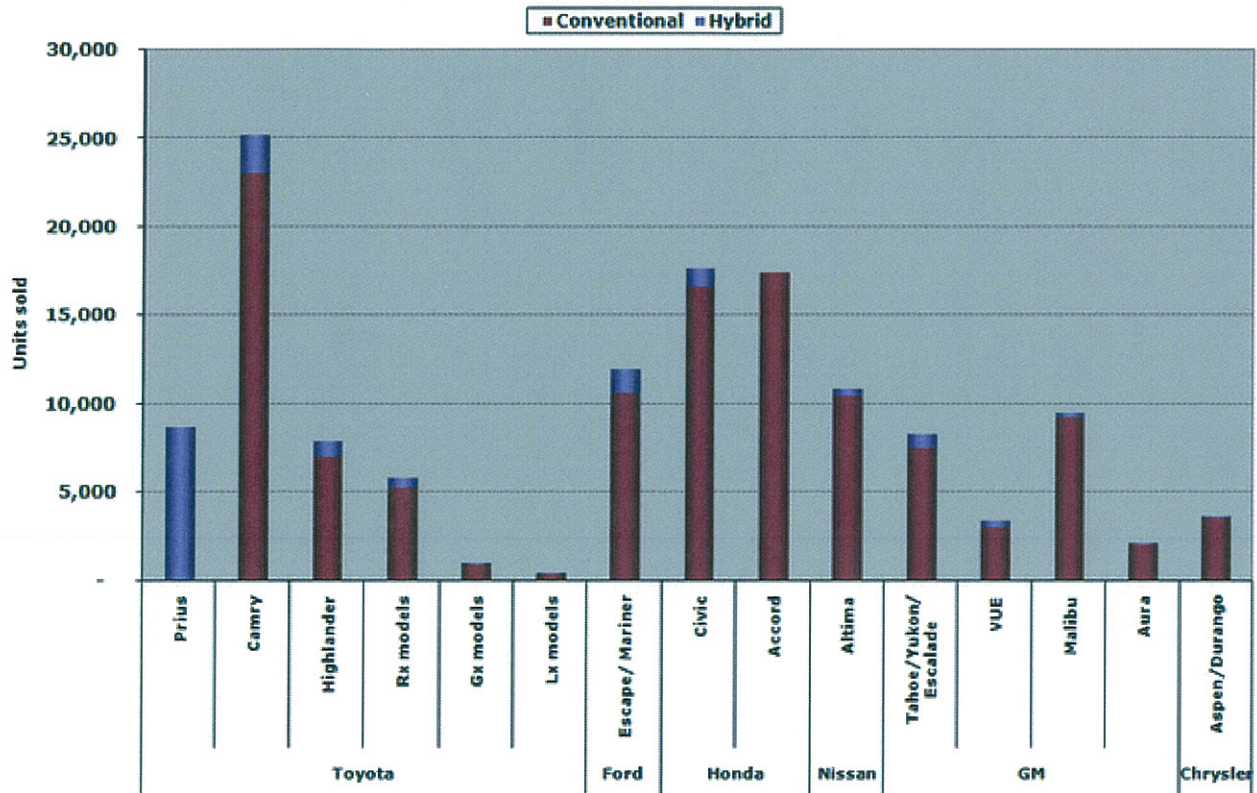
POSSIBLE QUESTIONS

1. Is there any evidence that tax incentives will evoke a significant degree in demand for hybrid trucks and SUV's?

BLG/svb:mt

Attachments

Hybrids as a Component of Brand Sales, Nov 2008





Internal Revenue Service

United States Department of the Treasury

2009 Model Year Hybrid Vehicles

Make	Model	Credit Amount
Chrysler	Aspen Hybrid	\$2,200
Dodge	Durango Hybrid	\$2,200
Ford	Escape Hybrid 2WD	\$3,000
Ford	Escape Hybrid 4WD	\$1,950
Mazda	Tribute Hybrid 2WD	\$3,000
Mazda	Tribute Hybrid 4WD	\$1,950
Mercury	Mariner Hybrid 2WD	\$3,000
Mercury	Mariner Hybrid 4WD	\$1,950
Nissan	Altima Hybrid	\$2,350